

**HOUSE BILL 3**  
EMERGENCY BILL -- SECOND PRINTING

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2004 Regular Session  
4lr1454  
CF 4lr2602

(PRE-FILED)

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By: **The Speaker and Delegates McIntosh, Arnick, Barkley, Benson, Bobo, Bromwell, Bronrott, Busch, Cadden, Cane, Cardin, G. Clagett, V. Clagett, Conroy, Conway, Costa, D. Davis, DeBoy, Doory, Dumais, Edwards, Feldman, Franchot, Griffith, Harrison, Healey, Hixson, Howard, Hurson, James, Jones, Kaiser, Kelley, King, Kirk, Krysiak, Lee, Love, Madaleno, Malone, Mandel, Marriott, McConkey, McHale, Menes, Minnick, Moe, Montgomery, O'Donnell, Pendergrass, Proctor, Ramirez, Rosenberg, Sophocleus, Sossi, Taylor, V. Turner, Vallario, ~~and Vaughn Vaughn, Bohanan, Burns, Frush, Glassman, Hammen, Hogan, Holmes, Impallaria, Jennings, McDonough, Owings, Parker, Stern, Stull, and Weir Weir, and Eckardt~~**

Requested: November 17, 2003

Introduced and read first time: January 14, 2004

Assigned to: Environmental Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 12, 2004

Recommitted to: Environmental Matters, February 16, 2004

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 19, 2004

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Hurricane Isabel Disaster Relief Act**

3 FOR the purpose of establishing the Hurricane Isabel Housing Rehabilitation and  
4 Renovation Program in the Department of Housing and Community  
5 Development; providing that the Program shall include projects in which the  
6 Department ~~grants~~ provides loans or ~~serves as guarantor of~~ loans to rehabilitate  
7 or renovate primary residences and credit enhancements for private market  
8 loans to rehabilitate, renovate, or replace primary residences under certain  
9 circumstances; requiring the Secretary to adopt guidelines and procedures for  
10 implementing the Program; specifying the programs and funds that the  
11 Department may utilize to ~~grant~~ provide loans or ~~serve as guarantor~~ credit  
12 enhancement of private market loans under the Program; imposing certain  
13 requirements for the terms and conditions of loans ~~granted~~ provided by the

1 Department under the Program; authorizing the Department to require local  
2 governments and applicants for certain loans to demonstrate contribution or  
3 receipt of certain resources under certain circumstances; authorizing the  
4 Department to establish priorities for making loans under certain  
5 circumstances; imposing certain requirements for the terms and conditions  
6 under which the Department may ~~serve as guarantor of~~ provide credit  
7 enhancement for private market loans under the Program; requiring the  
8 Department to approve and make available to prospective borrowers a list of  
9 certain financial institutions; prohibiting the Department from charging a  
10 premium or administrative fee for providing credit enhancement for private  
11 market loans under certain circumstances; requiring the Department to  
12 continue to explore ~~and expand~~ opportunities to provide reverse equity  
13 mortgages under certain circumstances; requiring the Department to issue  
14 certain reports to the General Assembly on or before certain dates; making this  
15 Act an emergency measure; providing for the termination of certain provisions  
16 of this Act; and generally relating to the Hurricane Isabel Disaster Relief Act.

17 Preamble

18 WHEREAS, The devastation caused by Hurricane Isabel in September 2003  
19 impacted communities across the State; and

20 WHEREAS, The cost to date of repairing the property damage exacted by  
21 Hurricane Isabel has totaled in the tens of millions of dollars; and

22 WHEREAS, The temporary housing and home repair funds that are provided by  
23 existing State and federal emergency assistance programs, as well as private  
24 insurance, are either of limited duration or leave substantial needs unmet for many  
25 victims of Hurricane Isabel; and

26 WHEREAS, While most areas in the State that were hit hard by Hurricane  
27 Isabel are now well on their way to recovery, several communities are still struggling;  
28 and

29 WHEREAS, As we enter the coldest part of the winter season, over 300 families  
30 remain in temporary housing or are on a waiting list for housing assistance from the  
31 Federal Emergency Management Agency (FEMA); and

32 WHEREAS, The State is compelled to design a program to assist those who need  
33 "gap" funding for property damage incurred beyond the limits set by insurance and  
34 State, federal, or private market loans and grants for projects to rehabilitate,  
35 renovate, or replace primary residences damaged by Hurricane Isabel; and

36 WHEREAS, As expeditiously as possible, the State needs to develop innovative  
37 and effective means to address the unmet housing needs of these Maryland families  
38 who have suffered such devastating losses; now, therefore,

39 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
40 MARYLAND, That:

1 (a) There is a Hurricane Isabel Housing Rehabilitation and Renovation  
2 Program within the Department of Housing and Community Development.

3 (b) (1) The Department shall operate the Program as provided in this Act to  
4 benefit the families whose primary residences were damaged by Hurricane Isabel.  
5 The Program shall include projects in which the Department provides:

6 (i) ~~grants~~ low interest loans for ~~second~~ first or subordinate  
7 mortgages to rehabilitate or renovate primary residences; or

8 (ii) ~~serves as guarantor of credit enhancement for~~ loans obtained in  
9 the private market to rehabilitate ~~or~~, renovate, or replace primary residences, subject  
10 to funds being held in reserve for that purpose.

11 (2) The Secretary shall adopt guidelines and procedures for  
12 implementing the Program so as to expedite the granting provision of assistance to  
13 families whose primary residences were damaged by Hurricane Isabel.

14 (3) The Program shall include coverage for the repair or replacement of  
15 water and sewer systems, including septic systems.

16 (c) The Department shall ~~grant~~ provide loans or ~~serve as guarantor of credit~~  
17 enhancement for private market loans under the Program utilizing funds from:

18 (1) the Maryland Housing Rehabilitation Program;

19 (2) the Maryland Housing Fund for credit enhancement, subject to funds  
20 being held in reserve for that purpose; and

21 (3) any other State or federal housing or community development  
22 program or fund.

23 (d) (1) This subsection applies to low interest loans ~~granted for second~~  
24 provided for first or subordinate mortgages to rehabilitate or renovate primary  
25 residences.

26 (2) ~~The Program is designed to provide "gap" funding for property~~  
27 ~~damage incurred beyond the limits set by insurance and State, federal, or private~~  
28 ~~market loans and grants for projects to rehabilitate or renovate primary residences~~  
29 ~~damaged by Hurricane Isabel.~~

30 (3) (2) The terms and provisions of a loan ~~granted~~ provided in  
31 accordance with this subsection shall satisfy the terms and provisions under the  
32 program or fund from which the funds are utilized for the loan, except that:

33 (i) the interest rate shall be set by the Department between 0.0%  
34 and 2.5%;

35 (ii) the payment of the principal on the loan shall be deferred;

1                                    1.       until the sale or transfer of the primary residence or the  
2 refinancing of the ~~first~~ prior lien mortgage or deed of trust on the primary residence;  
3 or

4                                    2.       as long as the borrower retains an undiminished fee  
5 simple interest in the property;

6                                    (iii)     after satisfying the income eligibility requirements, priority  
7 shall be given to families who have been relocated into temporary housing by or have  
8 received rental assistance from FEMA, and to families who have not obtained any  
9 assistance from FEMA but otherwise qualify for such assistance; and

10                                  (iv)     the availability of comparable private market financing may not  
11 be an impediment to obtaining the loan.

12                                  (3)     The Department may require local governments to demonstrate a  
13 contribution of resources satisfactory to the Department before the Department  
14 provides loans under this subsection.

15                                  (4)     The Department may require an applicant for a loan under this  
16 subsection to demonstrate that the applicant has applied and received all possible  
17 assistance from FEMA, the Small Business Administration (SBA), or other  
18 governmental or commercial sources, including hazard insurance.

19                                  (5)     The Department may require an affidavit from an applicant for a  
20 loan under this subsection confirming other governmental or commercial sources of  
21 assistance, which may be shared with FEMA, SBA, or other governmental agencies  
22 that provide assistance.

23                                  (6)     The Department may establish priorities for making loans available  
24 under this subsection.

25       (e)       (1)     This subsection applies to housing rehabilitation ~~or~~, renovation, or  
26 onsite replacement loans obtained in the private market for which the Department  
27 ~~serves as guarantor~~ provides credit enhancement.

28                                  (2)     The Program is designed to facilitate the availability and utilization  
29 of private market loans for the rehabilitation ~~and~~, renovation, or onsite replacement  
30 of primary residences damaged by Hurricane Isabel by a family:

31                                  (i)     who otherwise meets the qualifications for a loan offered by a  
32 financial institution; and

33                                  (ii)    1.       who has been relocated into temporary housing by or has  
34 received rental assistance from FEMA, or who has not obtained any assistance from  
35 FEMA but otherwise qualifies for such assistance; or

36                                  2.       whose primary residence has been found to be partially or  
37 totally uninhabitable.

1 (3) A loan for which the Department ~~serve as guarantor~~ provides credit  
2 enhancement under this subsection:

3 (i) may include the refinancing of existing mortgage loans on the  
4 primary residence; and

5 (ii) may not include a home equity line of credit.

6 (4) The Department shall approve and make available to prospective  
7 borrowers a list of financial institutions that are willing to offer loans for which the  
8 Department may ~~serve as guarantor~~ provide credit enhancement under this  
9 subsection.

10 (5) The Department shall ~~serve as guarantor~~ provide credit  
11 enhancement of a loan under this subsection for the amount of the loan proceeds that  
12 is over ~~90%~~ 80% and up to 115% of the ~~expected~~ fair market value of the ~~home~~  
13 property after the rehabilitation ~~and~~, renovation, or onsite replacement is completed,  
14 as determined by an appraisal ~~at the time the loan is closed~~ used to process and  
15 approve the loan.

16 (6) (i) The Department shall ~~ensure~~ determine that the terms and  
17 provisions of a loan offered by a financial institution for which the Department ~~serve~~  
18 ~~as guarantor~~ provides credit enhancement are reasonable and reflective of the  
19 mortgage market.

20 (ii) The payment of the principal and interest on loan proceeds paid  
21 out from time to time as renovations and rehabilitations are completed may be  
22 deferred until all loan proceeds have been paid out or until 12 months after the first  
23 disbursement of loan proceeds, whichever occurs first.

24 (iii) The payment of the principal and interest on a loan after all  
25 loan proceeds have been paid out or after 12 months following the first disbursement  
26 of loan proceeds, whichever occurs first, may not be deferred and shall be amortized  
27 over the remaining term of the loan.

28 (7) The Department may not charge a premium or administrative fee for  
29 credit enhancement provided under this subsection.

30 (f) The Department shall continue to explore ~~and expand~~ opportunities to  
31 provide reverse equity mortgages to those families who may choose to use this method  
32 of financing home rehabilitation and renovation projects, particularly those families  
33 whose homes were damaged by Hurricane Isabel.

34 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of  
35 Housing and Community Development shall issue to the General Assembly, in  
36 accordance with § 2-1246 of the State Government Article, a preliminary report on or  
37 before September 30, 2004 and a final report on or before September 30, 2005 on the  
38 implementation of this Act. The reports shall include:

1 (a) with reference to loans provided by the Department, the amounts of the  
2 loans and the borrowers' counties of residence;

3 (b) with reference to loans obtained in the private market for which the  
4 Department provided credit enhancements, the amounts of the credit enhancements,  
5 the borrowers' counties of residence, the names of the financial institutions that  
6 provided the loans, and the amounts of the loans; and

7 (c) with reference to other financial assistance provided, the amounts and  
8 sources of the financial assistance and the borrowers' counties of residence.

9 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act is an  
10 emergency measure, is necessary for the immediate preservation of the public health  
11 or safety, has been passed by a yea and nay vote supported by three-fifths of all the  
12 members elected to each of the two Houses of the General Assembly, and shall take  
13 effect from the date it is enacted. ~~§~~ Section 2 1 of this Act shall remain effective  
14 through May 31, 2005 and, at the end of May 31, 2005, with no further action  
15 required by the General Assembly, Section 2 1 of this Act shall be abrogated and of no  
16 further force and effect.